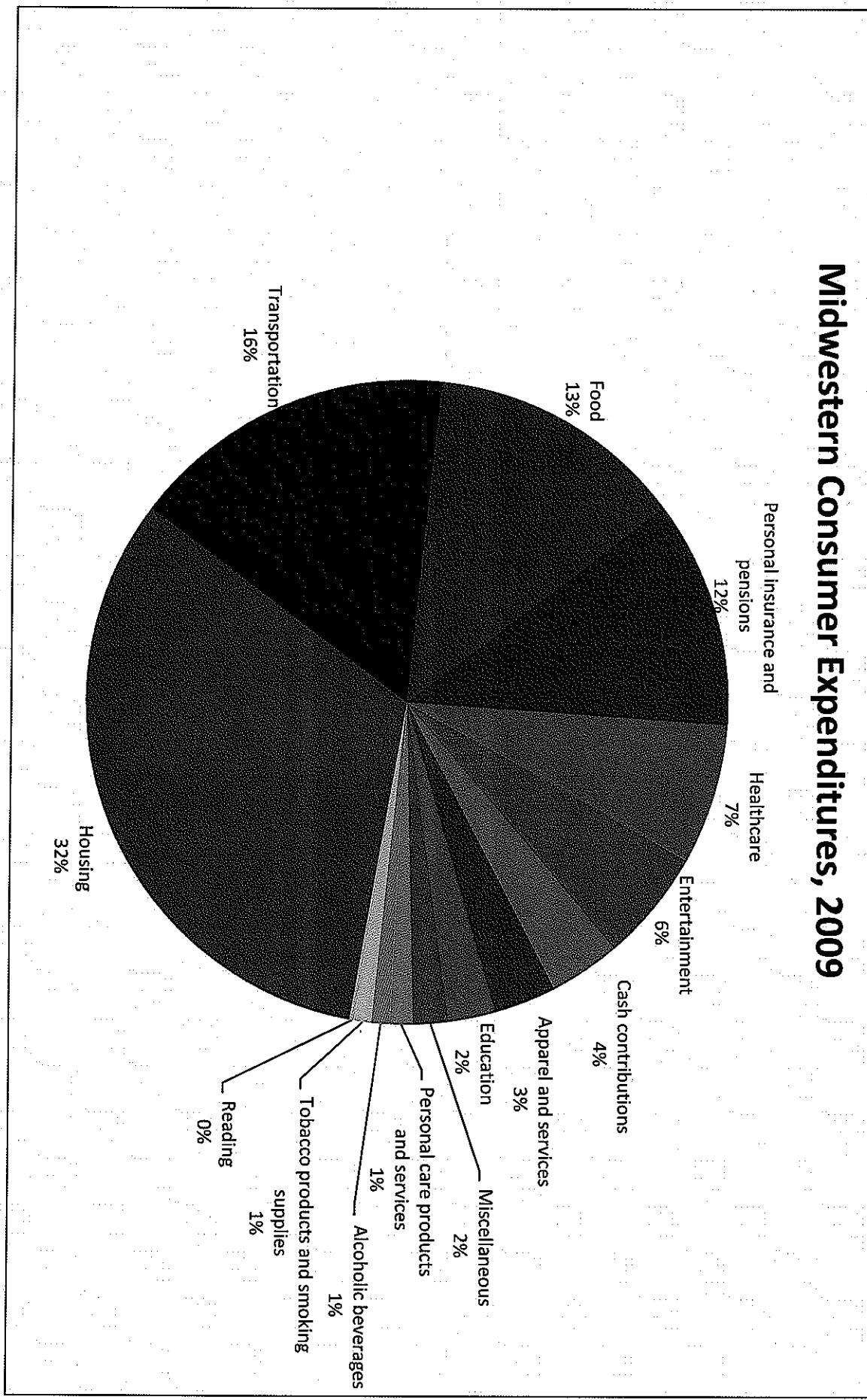


**Testimony of Leon Drolet, Chair of the MI Taxpayers Alliance  
02-09-11 meeting of the Senate Finance Committee**

1. Income decline of MI taxpayers:
  - a. Michigan's per-capita income fell 6.2% from 2000 to 2009, when adjusted for inflation, according to the Federal Bureau of Economic Analysis. Michigan per-capita income declined from \$36,618 to \$34,334.
  - b. Only six other states experienced income decline during the past decade. Michigan's income decline was the worst in the nation.
2. How does the typical taxpayer spend their income?
  - a. According to inflation-adjusted data from the Federal Bureau of Labor Statistics' Consumer Expenditure Survey, Midwestern taxpayers responded to income decline by spending:
    - i. 21.7% less on transportation in 2008 than they did in 2000
    - ii. 38.8% less on clothing
    - iii. 32.9% less on furniture
    - iv. 13.5% less on alcohol
    - v. 7.9% less on food
  - b. Taxpayers increased inflation-adjusted spending most significantly in the following areas:
    - i. Health insurance spending up 41.4%
    - ii. Education spending up 32.7%
    - iii. Natural gas spending up 29.7%
    - iv. Property taxes up 28.2%
    - v. Gasoline up 14.8%
    - vi. Water and other public services up 14.2%
    - vii. Electricity up 7.7%
  - c. Michigan taxpayers experienced greater income stress than any Midwestern state, so Michigan taxpayers generally faced more difficult income allocation choices than the Midwest average compiled by the BLS.
3. Gross tax burden **decreases** on Michigan taxpayers:
  - a. Michigan taxpayers spent less on goods and services resulting in an inflation-adjusted sales tax burden reduction of 14.2% from 2000 to 2008 according to US Census Bureau data.

- b. Michigan's income tax collections fell due to reduced incomes by 20.9%, despite the 2007 12% increase in the state income tax.
  - c. Michigan's corporate tax collections fell by an 21.4% despite the MBT tax increase of 2007, according to the Michigan Department of the Treasury.
  - d. The largest percent increases in tax collections were an 18.9% increase in property tax collections (MI Treasury Dept. data) and a 42% increase in selective sales taxes (alcohol taxes, tobacco taxes, etc.).
  - e. Michigan overall tax burden per capita declined by 4.3% from 2000 to 2009.
4. Net tax burden **increases** on Michigan taxpayers
- a. While the gross tax burden fell 4.3% since 2000, income fell 6.2%.
  - b. **The tax burden per job increased from \$8,415 per employed taxpayer in 2000 to \$9,047 per employed taxpayer in 2008.**
5. What should taxpayers cut?

# Midwestern Consumer Expenditures, 2009



**MICHIGAN STATE GOVERNMENT TAXES 1)**  
**FY 1990-91 TO FY 2008-09**  
(dollars in millions)

Taxes	FY 1990-91	FY 1991-92	FY 1992-93	FY 1993-94	FY 1994-95	FY 1995-96	FY 1996-97	FY 1997-98	FY 1998-99	FY 1999-00	FY 2000-01	FY 2001-02
<b>TOTAL TAXES</b>	<b>\$11,722.7</b>	<b>\$12,232.2</b>	<b>\$12,866.3</b>	<b>\$15,082.5</b>	<b>\$17,468.7</b>	<b>\$18,520.1</b>	<b>\$19,500.6</b>	<b>\$20,683.5</b>	<b>\$22,017.4</b>	<b>\$22,865.5</b>	<b>\$22,405.0</b>	<b>\$22,070.4</b>
Income Taxes:												
Personal Income	4,667.8	4,892.6	5,180.8	5,529.1	5,473.1	5,868.4	6,400.4	6,793.1	7,394.0	7,646.3	7,282.2	6,711.1
Corporate Income	4,667.1	4,892.6	5,180.0	5,529.1	5,473.1	5,868.4	6,400.4	6,793.1	7,394.0	7,646.3	7,282.2	6,711.1
Business Privilege Taxes	0.7	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SBT & MBT	1,818.5	1,924.7	2,038.3	2,280.7	2,386.0	2,438.8	2,459.5	2,555.4	2,603.5	2,628.5	2,373.4	2,347.0
Oil & Gas Severance	48.9	41.3	40.1	33.5	27.2	36.8	41.2	31.0	24.2	45.1	61.8	31.7
Insurance Company Premium	176.0	178.3	188.2	194.4	213.6	206.0	182.4	142.6	199.5	191.9	200.8	227.1
Horse Race Wagering	19.9	20.0	18.9	17.4	14.8	8.6	11.6	12.7	13.3	13.5	12.5	12.5
Casino Gaming Wagering	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	53.1	75.4
Consumption Taxes:												
Sales	3,521.7	3,578.6	3,794.1	5,010.7	6,561.7	6,904.5	7,144.3	7,466.0	7,924.6	8,369.7	8,418.6	91.9
Use	2,671.9	2,738.1	2,905.7	3,775.3	4,884.2	5,171.6	5,389.8	5,617.3	5,901.7	6,277.5	6,352.3	8,554.5
HMO Use Tax	474.3	480.0	529.5	725.1	942.9	1,034.9	1,092.2	1,159.3	1,283.0	1,355.4	1,333.6	1,306.4
Cigarette/Tobacco	259.2	246.0	243.6	395.7	619.4	580.8	546.0	566.0	615.1	604.2	596.1	669.9
Beer & Wine	51.7	49.1	48.8	48.6	49.9	48.7	48.3	50.3	47.8	50.0	50.4	50.0
Liquor Excise & Specific	64.6	65.4	66.5	66.0	65.3	68.5	68.0	73.1	77.0	82.6	86.2	88.3
Transportation Taxes:												
Gasoline (MTF) 2)	1,154.1	1,186.8	1,246.0	1,288.9	1,339.5	1,393.4	1,486.3	1,753.6	1,844.5	1,890.8	1,912.5	1,979.0
Gasoline (MUSTFA) 3)	622.9	631.0	657.2	659.1	682.5	681.6	737.3	904.5	931.7	923.0	934.4	939.7
Diesel Fuel	50.7	51.8	51.1	57.6	53.6	58.0	60.3	57.5	58.5	59.8	58.5	60.5
Aviation Fuel	53.1	54.6	66.7	69.0	73.6	80.3	83.9	118.4	134.7	144.1	133.7	143.4
Liquefied Petroleum Gas	6.2	6.6	7.4	7.8	8.0	6.7	6.9	8.4	7.7	6.7	6.7	6.7
Motor Vehicle Registration	1.0	1.0	1.1	1.1	0.8	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Property Taxes:												
Telephone & Telegraph	420.2	441.8	462.5	494.3	521.2	564.4	597.0	665.3	710.2	755.2	778.2	827.7
Railroad Company	452.2	539.3	479.3	838.5	1,560.4	1,735.1	1,775.1	1,914.7	2,005.8	2,134.4	2,185.7	2,262.0
Car Loaning	143.7	145.2	149.6	122.5	127.2	135.4	145.8	152.0	150.3	149.2	152.5	137.3
Intangibles	0.1	0.1	0.3	0.4	0.8	0.9	1.2	1.8	2.2	2.2	0.2	0.0
Inheritance/Estate	123.6	123.9	110.6	123.5	92.9	110.9	76.2	45.0	0.6	0.3	1.6	1.6
Commercial Forest	119.6	207.8	163.3	57.0	73.7	87.0	79.5	110.4	174.9	185.5	155.5	131.0
Industrial & Commercial Facilities	0.9	1.3	0.9	0.1	1.5	5.0	3.4	2.4	2.6	2.7	2.4	2.5
State Education Property	62.4	58.8	52.1	86.8	106.6	121.8	117.5	115.3	136.5	152.5	131.3	152.3
Real Estate Transfer	—	—	0.0	446.9	1,064.5	1,110.6	1,156.1	1,256.9	1,273.5	1,381.4	1,489.6	1,583.7
Other Taxes	—	—	110.2	127.8	134.6	148.0	179.9	235.0	220.7	245.0	232.6	216.8

1) Taxes going to General and Special Revenue Funds. 2) Michigan Transportation Fund. 3) Michigan Underground Storage Tank Finance Authority.  
Source: Michigan Dept. of Management and Budget, Comprehensive Annual Financial Report, (various issues), Senate Fiscal Agency, and Michigan Dept. of Treasury (ORTA).  
Updated: June 4, 2010; Filename: M:\\ortal\\REVENUE\\Revenue History\\TaxRevByTaxFY.xls

**MICHIGAN STATE GOVERNMENT TAXES 1)**  
**FY 1990-91 TO FY 2008-09**  
(dollars in millions)

Taxes	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09
<b>TOTAL TAXES</b>	\$22,426.0	\$22,859.5	\$23,937.0	\$24,198.9	\$24,370.9	\$26,075.1	\$23,348.7
Income Taxes:							
Personal Income	6,519.6	6,576.1	6,924.2	7,060.3	7,326.1	8,157.6	6,820.3
Corporate Income	6,519.6	6,576.1	6,924.2	7,060.3	7,326.1	8,157.6	6,820.3
Business Privilege Taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SBT & MBT	2,226.0	2,240.8	2,381.5	2,354.4	2,251.9	2,942.3	2,723.3
Oil & Gas Severance	1,843.1	1,841.0	1,987.2	1,886.2	1,786.2	2,482.0	2,285.2
Insurance Company Premium	49.1	58.2	68.1	83.3	73.3	99.2	48.2
Horse Race Wagering	231.1	230.3	249.5	219.5	223.8	223.2	261.0
Casino Gaming Wagering	11.8	11.8	10.9	9.9	9.2	8.2	7.5
Consumption Taxes:	90.9	99.5	145.8	155.5	159.4	129.7	121.4
Sales	8,687.7	8,932.2	9,332.3	9,376.1	9,220.9	9,386.2	8,578.4
Use	6,422.6	6,473.5	6,589.1	6,638.1	6,552.2	6,773.3	6,089.1
HMO Use Tax	1,229.8	1,316.5	1,402.4	1,413.8	1,380.4	1,377.1	1,104.7
Cigarette/Tobacco	891.8	992.8	1,179.9	1,169.0	1,129.2	1,073.7	1,041.5
Beer & Wine	51.1	51.5	51.0	51.2	51.5	50.9	50.8
Liquor Excise & Specific	92.4	97.9	99.9	104.0	107.6	111.2	113.3
Transportation Taxes:							
Gasoline (MTF) 2)	2,004.5	2,075.7	2,000.4	1,932.7	1,909.6	1,853.2	1,812.7
Gasoline (MUSTFA) 3)	936.2	932.7	922.8	906.7	884.0	849.2	846.3
Diesel Fuel	57.7	59.6	57.4	n.a.	n.a.	n.a.	n.a.
Aviation Fuel	157.3	140.8	146.7	149.0	144.1	140.4	117.9
Liquified Petroleum Gas	7.4	7.7	6.7	6.0	6.3	5.3	5.7
Motor Vehicle Registration	0.6	0.6	0.5	0.6	0.5	0.4	0.4
Property Taxes:							
Telephone & Telegraph	845.3	934.3	866.3	870.4	874.7	857.9	842.4
Railroad Company	2,789.9	2,473.1	2,571.2	2,524.9	2,548.1	2,459.4	2,275.0
Car Loaning	0.0	0.0	0.0	0.0	0.3	0.4	0.4
Intangibles	1.5	1.2	1.2	0.9	1.5	1.3	0.8
Inheritance/Estate	-1.4	0.1	0.0	0.2	0.0	0.0	0.0
Commercial Forest	98.6	75.5	101.5	0.6	0.7	0.2	0.1
Industrial & Commercial Facilities	2.8	2.8	3.1	2.9	3.1	3.1	3.0
State Education Property	161.2	150.2	138.2	135.6	136.7	86.1	41.8
Real Estate Transfer	2,127.5	1,824.5	1,914.6	2,003.5	2,081.0	2,117.7	2,040.6
Other Taxes	275.5	317.5	313.5	297.7	237.5	169.8	125.3
	198.3	561.6	727.4	950.5	1,114.3	1,276.4	1,139.0

1) Taxes going to General and Special  
Source: Michigan Dept. of Management  
Updated: June 4, 2010; Filename: M